

THE FOLLOWING DOCUMENTS
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SUBJECT:

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SUSPENSE

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Remarks


Executive Secretary

12 May '88

Date

3637 (10-81)

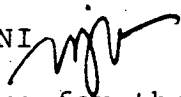
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THE WHITE HOUSE

WASHINGTON

May 12, 1988

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: WILLIAM J. MARONI 
SUBJECT: Agenda and Papers for the May 13 EPC Meeting

The agenda and papers for the May 13 meeting of the Economic Policy Council are attached. The Council is scheduled to meet at 2:00 p.m. in the Roosevelt Room.

The sole agenda item will be a discussion of U.S. objectives on trade at the upcoming OECD Ministerial Meeting in Paris on May 18-19. As a result of the Council meeting on May 4, the Trade Policy Review Group and the Agriculture Working Group were asked to consider an agricultural trade strategy for the Ministerial meeting.

In reviewing U.S. objectives for the OECD meeting, the TPRG and the Agriculture Working Group concluded that the issue on which U.S. negotiators had met the greatest resistance was the President's GATT agriculture reform proposal. Further, the groups determined that a setback at the OECD on agriculture could jeopardize prospects for an acceptable Toronto Summit agreement and the Mid-Term Review of the New Round of trade negotiations.

As a result, a paper was drafted that focuses solely on the issue of agricultural reform. The Council will be briefed by Ambassador Dan Amstutz on the current situation and the outlook for an agreement. The Council will discuss a strategy for building support for the President's proposal. In particular, Council members will be asked to focus on several tactical considerations that are proposed at the end of the paper.

Attached to the paper is the 1987 OECD Ministerial agreed-upon language on agricultural reforms which will serve as a benchmark for this year's negotiations.

At the conclusion of the discussion on agriculture, Under Secretary Allen Wallis will brief the Council on what other issues we hope to make progress on at the OECD Ministerial. Other issues on the Ministerial agenda include trade, investment, structural reform, and OECD relationship with the Newly Industrialized Countries (NICs). Attached is a "scope paper" that identifies these issues.

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ECONOMIC POLICY COUNCIL

May 13, 1988

2:00 p.m.

Roosevelt Room

AGENDA

U.S. Objectives on Trade Issues at the OECD Ministerial

- Agricultural Reform Proposal
(Ambassador Dan Amstutz)
- Overview of Other Issues on the Ministerial Agenda
(Under Secretary Allen Wallis)

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MEMORANDUM FOR THE EPC
FROM THE TRADE POLICY REVIEW GROUP AND
THE EPC AGRICULTURAL WORKING GROUP

SUBJECT: U.S. OBJECTIVES ON TRADE ISSUES AT THE OECD
MINISTERIAL - AGRICULTURE

Overview

- o Preliminary debate on the OECD communique and recent conversations with European Community officials make clear that they are dug in against our agricultural trade objectives. They do not want the OECD Ministerial to endorse any conclusions that specifically support our call for agreement (in the Mid-term Review of the Uruguay Round) on a market-oriented framework for agricultural reform.
- o The European Community harbors a series of "grievances" against us: our Section 301 case on oilseeds, the Export Enhancement Program (EEP), the "threat" of more land being brought into production through upcoming decisions on our Acreage Reduction Program (ARP), and our lack of recognition for the recent budgetary "reforms."
- o The EC and other Ministerial participants see the OECD meeting as a part of the Uruguay Round negotiating process, and do not want to make concessions yet.
- o The OECD Ministerial communique is also expected to provide the basis for any statement on trade that is approved at the Toronto Economic Summit in June. It is the Administration's intent to have the Summit meeting produce an agreement that:

at the Mid-term Review of the Uruguay Round of Trade Talks, framework agreements or commitments on the following issues will be considered:

- o Services
 - o Intellectual Property
 - o Trade Related Investment
 - o GATT Institutional Improvement
 - o Agriculture
- o In order to achieve such a Summit statement; agreement on these issues will need to be achieved at the OECD Ministerial.

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- o We see agriculture as a crucial issue for the Summit and the Trade Round. Getting the most out of this Ministerial is critical if we are to get satisfactory results on agriculture from the Summit and the New Round Mid-term Review this year.

Issue

We want this year's Ministerial to build momentum for our proposal in the Uruguay Round by making another strong statement on agricultural reform calling for substantial results at the Mid-term Review.

Recommended Position

The EPC is asked to approve the following position for the OECD Ministerial:

1. The U.S. will seek language that goes beyond last year's Ministerial Declaration. (see attachment) This language should include:

- commitment to a market-oriented framework agreement at the GATT Mid-term Review and
- reference to aggregate measures.

2. The U.S. should make clear that short-term measures cannot be considered unless they are an integral part of agreement on long-term objectives.

3. The U.S. delegates should use this opportunity to continue to press our case on agriculture. The U.S. has the moral high ground and should not surrender it. Some of the points to be made include:

- the enormous costs to consumers (OECD est. \$150 billion annually);
- the harmful effects on less developed countries;
- the economy-wide effects of misallocating resources; and
- that bilateral disputes are symptoms of the underlying problem and will multiply unless we deal with the basic causes of these trade distortions.

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Background

- o Last year OECD Ministers agreed on agricultural reform principles, including that the long-term objective of reform is to put production and trade on a more market-oriented basis through a "progressive" reduction of support and that farm income support should not be linked to production, i.e., the "decoupling" principle.
- o However, the EC will not accept language in this year's communique that refers to a phase-out of subsidies.
- o The last OECD agreement was endorsed at the Venice Economic Summit. It bolstered the subsequent U.S. proposal in the Uruguay Round to put agricultural production and trade on a market-oriented basis by phasing out over ten years all trade distorting government subsidies and import barriers.
- o The EC and Japan are now trying to back away from those commitments in both the OECD and the GATT. Neither the EC nor Japan believes that in the end, the U.S. either wants or could implement complete liberalization in agriculture. They do not want to make any commitments yet. Both want to wait until after the November U.S. elections to see if the next administration will be more inclined to compromise or to tinker with existing programs.
- o OECD studies confirm the U.S. interpretation of the root cause of the problem in agriculture -- government policies which distort production and trade. Eliminating current methods of supporting farmers - high consumer prices, import restrictions, off-budget subsidies - is difficult, and not politically popular in Europe or Japan. In fact, the EC is now seeking credit for budget-induced changes to the CAP agreed to at the February EC Summit.
- o Despite a litany of bilateral trade problems caused by government policies - e.g., Beef and Citrus dispute and the Oilseeds 301 Case - neither the EC nor Japan see government involvement as the heart of the problem. Both retain a strong bias toward government management and direction of agriculture.
- o If we can address the root cause of the agricultural crisis in the Uruguay Round, we would be able to address the primary cause and reduce the incidence of bilateral disputes. In promoting a more efficient allocation of resources, we would also increase economic growth and employment, thus raising standards of living on a global basis.

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- o Lack of significant progress in the direction of the U.S. proposal will likely mean increasing support for agriculture in the 1990 Farm Bill in the form of more marketing loans, increased EEP, etc.
- o Developing countries are still hit with low agricultural commodity prices and are beginning to see the need for reform. LDCs were very receptive to our proposal for exceptional treatment for them in agricultural reform and we can build support on this base.
- o Current exchange rates are helping U.S. competitiveness. Coupled with aggressive U.S. marketing and subsidy programs they are helping increase our agricultural exports. Consequently, the EC agricultural support budget is going up, creating pressure from within for reform.
- o Growing protectionist sentiment in the U.S. also worries our partners, especially as it has played out in the trade bill. Deliberations on the 1990 farm bill begins next year and may be a lever for us to sway others to our approach.

Chances for Success

- o We want this year's Ministerial to build momentum for our proposal in the Uruguay Round by making another strong statement on agricultural reform calling for substantial results at the Mid-term Review of the Uruguay Round negotiations in December. Specifically, the Ministers should endorse concluding at the Mid-term Review a framework agreement that will establish commitments for a fundamental, long-term, market-oriented reform of world agriculture. The OECD Communique will form the basis for language on agriculture in the Toronto Summit statement, which we also want to endorse completing a framework agreement at the Mid-term Review.
- o We can expect strong resistance from the European Community, which is reluctant to tackle fundamental farm policy reforms after the difficulty of achieving recent changes in the Common Agricultural Policy. The Japanese remain obsessed with the concept of food security and will resist curtailing efforts to achieve self-sufficiency. We will also need to guard against efforts by Canada and Australia to press for agreements on short-term measures to alleviate the immediate effects of the crisis.
- o The Nordics share many of the same deep-rooted attitudes and socio-economic considerations as the EC. However, as mostly food importers they are less concerned with quick fixes for export markets.

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- o At minimum, we must successfully resist any attempts at backsliding from or undermining last year's commitments to market-oriented reforms.
- o There are, however, gradations of "commitment" to a substantive Mid-term Review. We may have to settle for language that simply endorses the need for a framework for negotiating greater liberalization in agriculture. If we fail to get anything on the framework agreement, we will want to be sure to keep the door open for achieving agreement on it later in the year or at the Mid-term Review. We would not want to force other countries to lock themselves into a public stance now of opposing such a concept. For example, the French and others may have greater flexibility after their domestic political situations have clarified.

Tactical Considerations

Short-term vs. long-term: We need to make clear that the United States will consider short-term or early reforms only on the condition that they are an integral part of the long-term market-oriented solution.

Progress on agriculture vs. progress on other issues: Agriculture is a crucial issue for us at the Ministerial and in the Uruguay Round. Failure to make progress in agriculture will seriously erode political support for the New Round and with it, prospects for other issues.

The EC credit issue: The Community believes it is owed a "credit" in the Trade Round for steps it has taken to rein in agricultural expenditures. We believe the impact of these actions on EC output will be modest at best. They do not amount to fundamental reform. This is a sensitive point for the EC. We need to move beyond the "credit" issue and focus on substantive negotiations.

Bipartisan support for US agricultural trade stance: Some in the OECD question whether the US position has bipartisan backing, and see the possibility of change with the U.S. elections. We need to stress the strong bipartisan commitment to our goals.

Bilateral disputes: Other Ministerial players need to understand that if we don't solve the basic problem, bilateral disputes will multiply.

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ATTACHMENT

1987 OECD Ministerial Communique - Agriculture

"National Policies and Agricultural Trade"

21. Reform will be based on the following principles:

A. The long-term objective is to allow market signals to influence by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, the orientation of agricultural production; this will bring about a better allocation of resources which will benefit consumers and the economy in general.

B. In pursuing the long-term objective of agricultural reform, consideration may be given to social and other concerns, such as food security, environment protection or overall employment, which are not purely economic. The progressive correction of policies to achieve the long-term objective will require time; it is all the more necessary that this correction be started without delay.

C. The most pressing need is to avoid further deterioration of present market imbalances. It is necessary:

On the demand side, to improve prospects as much as possible inside as well as outside the OECD area;

On the supply side, to implement measures which, by reducing guaranteed prices and other types of production incentives, by imposing quantitative production restrictions, or by other means will prevent an increase in excess supply.

D. When production restrictions are imposed or productive farming resources withdrawn by administrative decision, these steps should be taken in such a way as to minimize possible economic distortions and should be conceived and implemented in such a way as to permit better functioning of market mechanisms.

E. Rather than being provided through price guarantees or other measures linked to production or to factors of production, farm income support should, as appropriate, be sought through direct income support. This approach would be particularly well suited to meeting the needs of, amongst others, low-income farmers, those in particularly disadvantaged regions, or those affected by structural adjustment in agriculture.

F. The adjustment of the agricultural sector will be facilitated if it is supported by comprehensive policies for the development of various activities in rural areas. Farmers and their families will thus be helped to find supplementary or alternative income.

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G. In implementing the above principles governments retain flexibility in the choice of the means necessary for the fulfillment of their commitments.

22. The Uruguay Round is of decisive importance. The ministerial declaration of Punta del Este and its objectives provide for the improvement of market access and the reduction of trade barriers in agriculture and will furnish a framework for most of the measures necessary to give effect to the principles for agricultural reform agreed upon by OECD Ministers, including a progressive reduction of assistance to and protection of agriculture on a multi-country and multi-commodity basis. As agreed in paragraph 16, the Uruguay Round negotiations will be vigorously pursued and comprehensive negotiating proposals tabled over the coming months, in this as in other fields. In the Uruguay Round appropriate account should be taken of actions made unilaterally.

23. In order to permit a de-escalation of present tensions and thereby enhance prospects for the earliest possible progress in the Uruguay Round as a whole, OECD governments will carry-out expeditiously their standstill and rollback commitments and, more generally, refrain from actions which would worsen the negotiating climate: they will, inter alia, avoid initiating actions which would result in stimulating production in surplus agricultural commodities and in isolating the domestic market further from international markets; additionally, they will act responsibly in disposing of surplus stocks and refrain from confrontational and destabilizing trade practices.

24. Agricultural reform is not solely in the interests of member countries. Developing countries which are agricultural exporters will benefit from a recovery on world markets. Developing countries which are importers of agricultural produce will be encouraged to base their economic development on more solid ground, by strengthening their own farm sector.

25. Agricultural reform poses vast and difficult problems for member countries. Strengthened international co-operation is needed to overcome these problems. The OECD will continue to contribute to the solution by deepening further its work; by updating and improving the analytical tools it has begun to develop and which will prove particularly valuable in many respects; by monitoring the implementation of the various actions and principles listed above. The Secretary-General is asked to submit a progress report to the Council at ministerial level in 1988.

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SCOPE PAPER

OECD COUNCIL OF MINISTERS, MAY 18-19, 1988

Overview

This year's Ministerial provides a key opportunity to further our objectives on priority economic issues, especially agricultural reform and structural adjustment. Building a consensus for achieving tangible results at the Mid-Term Review of the Uruguay Round negotiations will be one of our central goals at the Ministerial as well as the Toronto Summit. Strengthening OECD rules to ensure more free international flows investment will also be a key objective.

The 1988 Ministerial takes place at a time of relatively strong growth in the OECD area, and prospects are good for continued growth with low inflation in the near term. Real GNP growth should average 3 percent in 1988, while aggregate OECD inflation remains at the lowest rates since 1967. The fallout of last year's stock market turbulence has not had as much effect on the global economy as some had predicted, and financial and exchange markets are now more stable. Another encouraging sign is that the composition of OECD growth is shifting to facilitate the gradual reduction of external imbalances. The outlook for developing countries with the heaviest debt burdens is also encouraging.

There is a good measure of consensus among member countries on the broad themes for the Ministerial. We agree that the Ministers should project a positive assessment of the global economic situation, and that further steps to sustain growth should focus on structural reform coupled with appropriate macroeconomic policies. The Ministerial should be able to endorse continued emphasis on structural adjustment issues in the OECD's work program. Prospects are good for Ministerial agreement to U.S. proposals for strengthening OECD investment disciplines. There is a consensus that Ministers should send a message cautioning against the dangers of protectionism and enhancing prospects for a successful December Mid-Term Review in the Uruguay Round. Building momentum for the Mid-Term Review on agriculture reform will be very difficult, however, and a strong effort by the Ministerial delegation will probably be needed just to reaffirm last year's commitments.

Across the range of topics on the Ministerial agenda, our task will be to build on those areas where we have consensus and construct meaningful and supporting communique language on

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the issues of major importance to us.

Objectives

Our objectives for the Ministerial can be summarized under the following broad categories:

Trade including Agriculture

- o Obtain a strong and clear commitment in the communique to tangible results on specific issues in priority areas by or before the Mid-Term Review to maintain the momentum of the Uruguay Round negotiations.
- o Achieve Ministerial recognition that the Mid-Term Review should conclude a framework agreement to establish long-term commitments for a fundamental market-oriented reform of world agriculture; secure agreement that short-term actions to deal with the immediate crisis be taken in the context of a longer term program of market-oriented reform.

Economic Policy

- o Obtain Ministers' recognition that effective structural reform coupled with appropriate macroeconomic policies are needed to facilitate sustained non-inflationary growth, enhance job creation, and promote the reduction of external imbalances.
- o Highlight in the Ministerial communique the benefits of liberalizing their trade and investment and realistic exchange rate policies to the developing countries, and especially to the more advanced LDCs.

International Financial Issues

- o Secure a strong communique statement on the need for concrete steps to liberalize direct investment flows internationally, with particular emphasis on strengthening the OECD National Treatment Instrument.
- o Reaffirm support for the current growth-oriented debt strategy and further development of the "menu" of financing options, while emphasizing that generalized debt relief schemes are counterproductive.

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Other

- o Endorse the U.S.-initiated Framework of Principles for International Cooperation in Science and Technology, and seek to have the communique recognize the importance of such cooperation in promoting openness and greater economic growth.
- o Secure a Ministerial statement, recently approved by the Governing Board of the International Energy Agency, affirming the central importance of energy security and the priority of emergency preparedness measures.
- o Underline in the communique the importance of the Organization's efforts to promote environmentally sound and sustainable economic development.

Other Countries' Objectives

- o In line with U.S. objectives the Economic Policy Committee concluded that the focus for policymakers should be on structural reform of our economies, assisted by appropriate macroeconomic policies. At the Ministerial some of the smaller countries may push for a stronger statement on the need to stimulate further growth, especially in Europe.
- o On trade, most Europeans oppose identifying specific issues that should emerge from the Mid-Term Review, arguing that we should not pre-judge the outcome, especially without further progress in the major areas.
- o Building momentum for a framework for agricultural reform at the Mid-Term Review will be especially difficult.
 - The European Community is reluctant to tackle fundamental farm policy reforms after the difficult debate over the EC budget package. European publics see no pressing reason for fundamental changes, which in their view would increase unemployment and threaten food security.
 - The Cairns Group, although rhetorically committed to long-term reform, will press for agreement on short-term measures to alleviate the immediate effects of the crisis and to provide visible progress in the negotiations. Any language that implied curtailment of our Export Enhancement Program would be extremely attractive to them.

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- Japan views the fundamental problem as the fault of the exporting countries, but will probably accept the consensus decision.
- Some will push strongly to have Ministers step back from their 1987 Ministerial commitments.
- The Europeans will argue that in the absence of progress across the board, no one area should be singled out for special treatment at the Mid-Term Review.
- o Some OECD members may call for a search for new approaches to the debt problem, including debt relief for the poorest.
- o Most members will push for an OECD dialogue with the Newly Industrialized Countries.
- o On environment, some Ministers may urge across the board adoption of the recommendations of the Brundtland Report.

Preparing for the Toronto Summit

This year as in previous years, the OECD Ministerial will play a crucial role in laying the groundwork on key issues for subsequent discussion by the Summit leaders. For example, the Organization's work on East-West energy security paved the way for a successful Williamsburg Summit, and the 1986 and 1987 Ministerials laid the essential groundwork for the prominence of agriculture in the Tokyo and Venice Declarations.

Our economic objectives for the Toronto Summit are to:

- o Improve economic coordination and surveillance, with special attention to structural constraints on growth;
- o Secure agreement on a call for concrete progress at the GATT Mid-Term Review, especially on a framework for agricultural reform; and
- o Reaffirm support for the growth oriented debt strategy, including the "menu" approach to commercial bank financing packages, while opposing generalized debt relief schemes.

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Progress on agriculture at Toronto will be more difficult if the OECD Ministerial communique fails to include language which goes beyond that of last year. The OECD communique language on structural adjustment should help us achieve our objectives at Toronto.

Sharp disagreements on priority issues are likely at the Ministerial. However, failure to reach a meeting of the minds in the end could sour prospects for a successful Summit.

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Scope Paper

Drafted: EUR/RPE: DVGrant
5/10/88 W2585C

Cleared: EUR/RPE: EACasey, Jr.

EB: MAdair

EB/PAS: MCasse

OES/SAT: WLowell

OES/ENH: BMilroy

EAP/EP: CEllis

E: RHecklinger

Treasury: OMackour/MHudgins/HGale

Commerce: JSever

USTR: RMeier

USDA: RRiemenschneider

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Executive Secretary

3 May '88

Date

3637 (10-81)

**THE WHITE HOUSE
WASHINGTON**

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CABINET AFFAIRS STAFFING MEMORANDUM

Date: May 2, 1988 **Number:** 490,741 **Due By:** -----

Subject: Economic Policy Council Meeting -- Wednesday, May 4, 1988 --
4:00 p.m. -- Roosevelt Room

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ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
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HUD	<input type="checkbox"/>	<input type="checkbox"/>	Dawson (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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VA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: The Economic Policy Council will meet on Wednesday, May 4, 1988, at 4:00 p.m. in the Roosevelt Room. The agenda and background materials are attached for your review.

RETURN TO:

☒ Nancy J. Risque
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Associate Director
Office of Cabinet Affairs
456-2800
(Room 235, OE08)



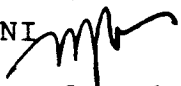
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THE WHITE HOUSE

WASHINGTON

May 2, 1988

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: WILLIAM J. MARONI 

SUBJECT: Agenda and Papers for the May 4 EPC Meeting

The agenda and papers for the May 4 meeting of the Economic Policy Council are attached. The Council is scheduled to meet at 4:00 p.m. in the Roosevelt Room.

The first agenda item will be a discussion of a report and recommendations on proposed trade measures for the Philippines. The proposals were developed by the Trade Policy Review Group as part of a comprehensive plan designed to strengthen economic stability and promote growth in the Philippines. The TPRG reviewed a number of possible approaches and has submitted to the Council for its consideration a short term proposal and a longer term proposal. A classified paper describing the issue and recommendations is attached.

The second agenda item will be a report by Commerce Secretary C. William Verity on his recent meetings with Soviet officials and the results of the tenth session of the joint U.S.-U.S.S.R. commercial mission. A classified report to the Council, prepared by the Commerce Department, is attached.

Ambassador Clayton Yeutter will brief the Council on the status of pending trade disputes. The TPRG is currently discussing options for resolving some of these cases, while others are still in negotiation.

Secret and Confidential Attachments

ECONOMIC POLICY COUNCIL

May 4, 1988

4:00 p.m.

Roosevelt Room

AGENDA

1. Trade Assistance Proposals for the Philippines
(Ambassador Yeutter)
2. Report on U.S.-U.S.S.R. Commercial Mission
(Secretary Verity)
3. Report on Pending Trade Disputes
(Ambassador Yeutter)

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A REPORT TO THE EPC:
VISIT OF SECRETARY OF COMMERCE C. WILLIAM VERITY
TO MOSCOW, USSR
APRIL 11-14, 1988

REPORT ON
MEETINGS WITH SOVIET OFFICIALS
AND
RESULTS OF TENTH SESSION
OF THE JOINT US-USSR COMMERCIAL COMMISSION

Prepared by: International Trade Administration
U.S. Department of Commerce
April 28, 1988

CLASSIFIED BY FRANKLIN J. VARGO
DECLASSIFY ON OADR

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The visit to Moscow and the 10th session of the Joint US-USSR Commercial Commission (JCC) were carried out at the specific instruction of President Reagan and General Secretary Gorbachev, who in their joint statement at the conclusion of the December 1987 Summit, directed Secretary Verity and his Soviet counterpart to convene the Commission to develop concrete proposals to expand mutually beneficial trade and economic relations. On economic relations, that statement said:

The two sides stated their strong support for the expansion of mutually beneficial trade and economic relations. They instructed their trade ministers to convene the U.S.-USSR Joint Commercial Commission in order to develop concrete proposals to achieve that objective, including within the framework of the Long-Term Agreement between the United States of America and the Union of Soviet Socialist Republics to Facilitate Economic, Industrial, and Technical Cooperation. They agreed that commercially viable joint ventures complying with the laws and regulations of both countries could play a role in the further development of commercial relations.

PROCESS

Chaired by the Secretary of Commerce, the U.S. side of the JCC is an interagency body consisting of the Departments of State, Treasury and Agriculture, the U.S. Trade Representative, and the NSC. In our preparation of the Tenth Session, we benefitted greatly from the contributions and advice of all these agencies, as well as the Department of Defense. The U.S. agenda, objectives, and positions were arrived at in concert. Senior representatives of all the Commission agencies participated in the meetings with Soviet officials and the Joint Commission sessions.

SETTING

The visit and Commission meeting were held at a time of:

- o intense U.S.-Soviet dialog across the range of international, arms control, regional, and bilateral issues;
- o considerable organizational turmoil within the USSR resulting from the Soviet leadership's attempt to implement far-reaching economic reforms -- "perestroika";
- o faltering Soviet economic and trade performance;
- o enhanced U.S. competitiveness in the USSR because of favorable currency movements and market access improvements; and
- o final agreement in Geneva of the withdrawal of Soviet troops from Afghanistan.

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DEVELOPMENTS IN THE USSR

During our meetings there was far more dialogue than we have seen in the past. The Soviets readily admitted shortcomings in their system and frankly discussed the problems in "perestroika", which Premier Ryzhkov described as their number one priority. The main problem, he said, is that management methods appropriate to the 1930's remain in place even though outdated. He said that the leadership concluded that economic reform alone would not work without substantial reforms in the "social situation" of the country, hence the need for glasnost, democratization, etc.

The Soviet leadership is dissatisfied with its foreign trade. Energy products account for about 2/3 of the USSR's exports to the West, and the decline in oil prices was one of the major factors causing Soviet hard currency exports to fall from \$32 billion in 1984 to \$23 billion in 1986. Only one-fifth of the USSR's trade today is with the West, compared to more than a third in 1980.

A number of major trade reforms have been instituted, in addition to the directly internal ones such as enterprise cost-accounting and self-financing. The Soviets have eliminated the foreign trade monopoly, created a new Commission to oversee and coordinate international trade relations, replaced the Ministry of Foreign Trade with a comprehensive Ministry of Foreign Economic Relations, extended direct foreign trade rights to over 20 ministries and 70 enterprises, and permitted joint ventures with foreign companies.

Implementation of trade reforms has been progressing slowly. Few organizations actually have the capability to conduct their own foreign trade. The new Foreign Economic Relations Ministry's continuing lack of an organizational structure was clearly evident from the absence of titles for that ministry's representatives on the Soviet JCC delegation. And it was clear from our negotiating experience that turf battles continue and final decisions remain to be made over division of responsibilities in key areas.

SOVIET OBJECTIVES

The Soviets came to the meetings with the following objectives:

- 1) Access to U.S. Market. The sharp drop in their hard currency earnings has made the Soviets far more concerned about their traditional large trade deficits (\$1 billion to \$2 billion annually) with the United States. Without actually issuing a threat, they implied their ability to continue importing from the United States, especially large amounts of grain, could be affected by their earnings capabilities in the U.S. market.

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While not ignoring the lack of MFN, the Soviets focused primarily on those products/services which they can export now and which for one reason or another are barred: furskins (the 1952 embargo); gold coins (the 1986 South Africa sanctions); urea (antidumping duty); satellite launching (national security policy); shipping services in cross trade (no maritime agreement with reciprocal benefits); and then pending legislative proposals (e.g., forced labor). Except for possible lifting of the embargo on furskins (dependent upon enactment of the Trade Bill), we could not respond positively on these issues.

2) Access to GATT. Unlike the two previous Commission meetings, the Soviets this time pressed hard on the GATT issue, including Chairman Ryzhkov and General Secretary Gorbachev. After we turned down their initial proposal to hold a working group of experts meeting on GATT questions, they pressed for at least an expression of an open attitude on our part for the future.

It would appear that, without seriously calculating what they would benefit or what they would have to do to win accession, the Soviets have made the GATT question a test of how credible they are as a trading nation and how seriously their restructuring attempts are viewed. We made it clear that the United States opposes the USSR's membership in the GATT and that we see the Soviet economic system as incompatible with GATT membership.

3) Support for Joint Ventures. Following up on the Joint Summit Statement declaration that "commercially viable joint ventures could play a role in the further development of commercial relations," the Soviets sought further expressions of support for US-Soviet joint ventures and for consortia in particular. Their proposals in this regard included a protocol to the Long-Term Agreement on Economic, Industrial and Technical Cooperation (EITCA), and strong statements for the Agreed Report, the Joint Statement, and potential Moscow summit document.

In keeping with our neutral policy on joint ventures, we emphasized, both to government leaders and the business community, that joint ventures are only one form of business organization, that they should not be the predominant form, and that the form of transaction must be freely chosen by the business partners based on commercial considerations. This view is expressed in the Agreed Report, the Joint Statement, and the Protocol to the EITCA.

4) Economic Plank for Moscow Summit. Soviet foreign trade officials would like to see an economic document emanate from the Moscow Summit. At the Working Group of Experts meeting in February they proposed that the President and the General Secretary sign a Protocol to the Long-Term Agreement on Economic, Industrial, and Technical Cooperation, which had been signed by President Nixon and General Secretary Brezhnev at the 1974 summit. This option was eliminated by having it signed by the Secretary and Acting Minister Kachanov at the JCC.

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During the Joint Commission meetings, the Soviet side gave us a draft of "Basic Principles and guidelines of further development of trade and economic relations between the USSR and the USA" which they proposed be issued at the Summit. We expressed serious doubts that it would be possible to agree upon such a document, but said we would examine the proposal closely.

U.S. OBJECTIVES

The U.S. objectives as defined in the scope and objectives paper "Overview of US-Soviet Trade Issues for Joint US-USSR Commercial Commission" had been cleared in advance by all concerned agencies and approved by the NSC. These were:

1. To reiterate that fundamental improvements in the trade relationship depend upon further improvements in our overall bilateral relations, especially in Soviet emigration and human rights.

We had very frank exchanges on emigration and human rights. This was a key subject in Secretary Verity's brief meeting with General Secretary Gorbachev; the subject of a lengthy exchange with Chairman of the Council of Ministers Ryzhkov; raised in all other meetings with senior Soviet officials; included in the Joint Statement and Agreed Report issued by Secretary Verity and Acting Minister Kachanov; and emphasized in the Secretary's statements to the US-USSR Trade and Economic Council and the press.

The human rights and emigration objective was placed at the center of the U.S. goals, and the message to the Soviets was that if they wanted a sharp increase in the trade relationship, they would have to meet the U.S. objectives in emigration. Soviet recognition of this fact was even acknowledged in the Joint Statement issued by the U.S. and Soviet delegations at the conclusion of the JCC. This statement notes that:

"The Governments of the United States of America and the Union of Soviet Socialist Republics ... recognize that the prospects for a substantial expansion of trade relations are related to progress on other issues of mutual interest, including humanitarian affairs. They note that while significant accomplishments have been made in this respect, more remains to be done."

2. To improve market access and market information for U.S. companies -- sort of a "marketing glasnost". We achieved almost all of our specific objectives:

- o The Soviet side will enable its business and trade officials to have open access to the U.S. Commercial Office in Moscow. For the first time since this facility was opened in 1974, Soviet trade and enterprise officials will be permitted by the Soviet government to enter to seek information about American suppliers and to establish contacts with American companies.

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- o The Soviet side will provide lists of the new bureaus, officials, and various organizations we and U.S. companies need to contact for business purposes.
- o The Soviet Chamber of Commerce and Industry will assist the U.S. Commercial Office in distributing a regular U.S. Commercial Newsletter to thousands of key Soviet business decision makers
- o The Soviets agreed to our proposal for a series of joint seminars on laws affecting business. The first seminar will be held in September and will include coverage of joint ventures.
- o The Soviet side will support the program of trade missions we intend to initiate.
- o We will resume periodic consultations concerning improvement of operating conditions for companies, including small/medium firms.

3. To establish bilateral sectoral working groups in nonstrategic industries having considerable U.S. export potential.

Four groups were established under Joint Commission auspices, covering oil and gas equipment, construction equipment, medical equipment and supplies for the medical industry, and equipment for consumer goods industries. A fifth group, for food-processing, was established within the framework of the Joint American-Soviet Commission on Agriculture, to enable involvement of the key Soviet decision organization in this field, GOSAGROPROM.

A non-market economy such as the USSR requires a different approach to trade barriers than those used with Western trading partners. The purpose of these working groups is to help create greater transparency in the Soviet market and overcome obstacles to trade. They will: (1) help identify commercial opportunities; (2) facilitate contacts between potential business partners; (3) follow the progress of American companies that participated in Commerce-sponsored trade events; (4) follow-up on U.S. company proposals and develop an ongoing method of communication for raising company concerns as they arise; and (5) eliminate obstacles to the conclusion of mutually beneficial business where possible.

To maximize effectiveness, working group meetings when possible will be held in tandem with other events, such as exhibitions, trade mission visits, or seminars. It had been our intention, for instance (had the Moscow Summit not been scheduled concurrently) to hold the first meeting of the Construction Equipment Working Group during the U.S. exposition at the Soviet construction industry fair in late May. Similarly, we would try to hold working group meetings during visits to the United States of Soviet commercial delegations in these sectors.

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Representatives of the private sector, both industry associations and individual companies, will be invited to participate as appropriate, for instance in seminars and individual project discussions, although private sector persons will not serve as regular members of the working groups.

ASSESSMENT

We believe we were successful in achieving our objectives. There is no doubt that the objective of underscoring U.S. determination regarding our goal of free emigration was clearly understood by the Soviets. The Soviet officials made it plain that the strength of the U.S. interest here was stronger than they had thought.

Of the twelve U.S. specific market opening objectives outlined in our scope and objectives paper for the Commission, ten were fully achieved as we proposed. An eleventh objective, creation of a working group on joint ventures, will be covered by the legal seminars. Only one objective, creation of a tourism working group, remains to be achieved; and the Soviets have agreed to give it further consideration. Moreover, the Soviets undertook all the far-reaching market access measures we had proposed, including provision of lists of information and open access to our Commercial Office, declining only with regard to establishing an import information clearinghouse.

The documents of the Commission recording these agreements are attached.

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JOINT STATEMENT
on the further development of
U.S.-U.S.S.R. commercial relations

U.S. Secretary of Commerce C. William Verity and U.S.S.R. First Deputy Minister of Foreign Economic Relations A. I. Kachanov, at the conclusion of the Tenth Session of the Joint U.S.-U.S.S.R. Commercial Commission held in Moscow April 12-14, 1988, at the instruction of President of the United States Ronald Reagan and General Secretary of the CPSU Central Committee M. S. Gorbachev to develop concrete proposals for the expansion of U.S.-Soviet trade, issued the following Joint Statement.

The Governments of the United States of America and the Union of Soviet Socialist Republics strongly support expansion of mutually beneficial commercial relations, within the legal framework existing in both countries, which they believe can contribute to the development of a more constructive relationship between the two countries.

They recognize that the prospects for a substantial expansion of trade relations are related to progress on other issues of mutual interest, including humanitarian affairs. They note that while significant accomplishments have been made in this respect, more remains to be done.

They recognize that improved business facilities and additional commercial information on business opportunities and contacts will be needed by their firms, enterprises, business and other organizations to conclude mutually beneficial contracts in the changing environment.

They agree that commercially viable joint ventures complying with the laws and regulations of both countries could play a role in the further development of commercial relations.

During the Tenth Session of the Joint Commercial Commission, the two sides took the following practical steps to facilitate the expansion of bilateral trade and commercial relations:

- Concluded a Protocol to the Long Term Agreement Between the United States of America and the Union of Soviet Socialist Republics To Facilitate Economic, Industrial, and Technical Cooperation, of June 29, 1974, in which they agreed that the forms of cooperation covered by the terms of the Long-Term Agreement shall include commercially viable joint ventures and industrial cooperation based on mutually beneficial contracts between firms, enterprises, and other appropriate organizations of the two countries.

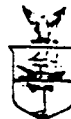
- 2 -

Under the Protocol the Joint US-USSR Commercial Commission will monitor the practical implementation of the Protocol and develop concrete proposals to achieve the cooperation foreseen therein, and the Working Group of Experts will exchange information that will assist the Commission in developing solutions to specific practical issues relating to its implementation and conduct preparatory work for meetings of the Commission.

- Established Joint Commission working groups to identify opportunities and eliminate obstacles to the development of business in the fields of oil and gas equipment, construction equipment, medical equipment and supplies for the medical industry, and consumer industry.
- Agreed to hold a series of legal seminars to improve understanding of the legal conditions affecting U.S.-Soviet commerce and investment.
- Undertook to make information on business opportunities and contacts readily available so as to facilitate the prompt identification and contact of potential business partners.
- Committed themselves to accelerate efforts to improve business facilities for company offices and representatives.
- Encouraged representatives and experts of their respective firms, enterprises, and organizations to make use of the official commercial offices of the other side.
- Agreed to expand a program of trade missions, rendering appropriate mutual assistance in their planning and execution.

Both sides affirm their intention to inform their respective firms, enterprises, and organizations of the contents and recommendations of the Joint Statement and to work toward their full implementation.

April 14, 1988



AGREED REPORT
OF THE TENTH SESSION OF THE
JOINT U.S. - U.S.S.R. COMMERCIAL COMMISSION

The Tenth Session of the Joint U.S. - U.S.S.R. Commercial Commission, established by a joint communique in May, 1972, was held in Moscow on April 12-14, 1988.

A. I. Kachanov, First Deputy Minister of Foreign Economic Relations of the U.S.S.R., headed the Soviet delegation and presided over the session. The U.S. delegation was headed by Secretary of Commerce C. William Verity.

During the work of the Commission, Secretary Verity was received by General Secretary of the Central Committee of the CPSU M. S. Gorbachev. Secretary Verity also met with Chairman of the Council of Ministers of the U.S.S.R. N. I. Ryzhkov, Central Committee Secretary A. F. Dobrynin, First Deputy Chairman of the Council of Ministers of the U.S.S.R. V. S. Murakhovskiy, and Deputy Chairman of the Council of Ministers of the U.S.S.R. V. M. Kamentsev. Prospects for the development of American-Soviet trade and economic relations were discussed in a constructive spirit throughout the meetings.

Lists of the U.S. and Soviet delegations to the Commission are attached to this Agreed Report.

The Commission adopted and discussed the following agenda:

1. Status of Bilateral Trade and Economic Relations
2. Report of the Working Group of Experts
3. Expansion of Trade and Economic Relations, including market access and new forms of economic cooperation.
4. Trade Promotion and Business Facilitation
5. Concluding remarks and signing of official documents.

STATUS OF BILATERAL TRADE AND ECONOMIC RELATIONS

In opening the session, the co-chairmen noted that President of the United States Ronald Reagan and General Secretary of the Central Committee of the CPSU of the U.S.S.R. M. S. Gorbachev had, during the Washington Summit, instructed them to convene this session of the Joint Commercial Commission in order to develop concrete proposals for the expansion of mutually beneficial trade and economic relations. Each Co-Chairman expressed his side's desire to carry out this mandate.

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In their opening statements, the co-chairmen reaffirmed the strong support of their respective governments for the expansion of mutually beneficial commercial relations. Examining the state of trade between the two countries, the Commission observed that trade levels are extremely small in comparison to the size of the two economies and are below their potential. They also noted the limited structure of present trade.

The two sides agreed that an increase in mutually beneficial trade was in the interest of both sides and agreed that additional steps should be taken to encourage trade where that was possible. They noted that opportunities exist for expansion of trade in raw materials, chemicals, agriculture, and other commodities, as well as in civilian industrial goods and services.

Reviewing the status of bilateral economic relations since the 1986, they mentioned that a textile agreement has been concluded, that negotiations on maritime relations and on agricultural trade are being conducted, that government and business interest in finding ways in which mutually beneficial trade can be developed are increasing, and that there is business interest in the use of joint ventures and other new forms of cooperation.

At the same time it was observed that major obstacles to bilateral trade remain, and that the positions of both sides relating to possible steps to be taken to eliminate these obstacles still differ considerably.

The two sides had a frank exchange of views on humanitarian affairs.

The U.S. side stated its belief that a fundamental change in trade relations could not take place without parallel improvements in these and other parts of the bilateral relationship. The U.S. side stated that without significant change in other parts of bilateral relations trade growth would have to take place within present conditions.

The Soviet side declared that it sought to develop cooperation with the United States on principles of equality and mutual interest, and that it is opposed to tying trade to aspects of bilateral relations which in its view have no bearing on trade. The Soviet side stated further that progress in trade can contribute to improvement in other parts of the overall bilateral relationship.

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Both sides agreed that mutually beneficial trade is an aspect of the bilateral relationship which can contribute to building trust and better working relations between the two countries. They expressed their mutual desire to continue to find ways to further develop trade and economic relations within the context of the present policies of both sides, and to search for fields of mutual interest.

REPORT OF THE WORKING GROUP OF EXPERTS

The Commission observed that the Working Group of Experts had had its sixth meeting in Moscow on October 19, 1987, co-chaired by Deputy Minister of Foreign Trade V. L. Malkevich and Assistant Secretary of Commerce Louis F. Laun. They noted that this meeting had resulted in a useful exchange of information on economies and foreign trade of the two countries. Information provided by the Soviet side regarding the reorganization of the Soviet system of foreign economic relations was also discussed at that meeting of the Working Group.

First Deputy Chief of Section of the U.S.S.R. State Foreign Economic Commission Y. A. Znamenskiy presented the report of the Seventh Session of the Working Group of Experts, which he and Assistant Secretary of Commerce Louis F. Laun co-chaired in Washington, February 18 and 19, 1988.

The Commission approved the report and expressed appreciation for the useful work that the Working Group of Experts had performed in preparing for the Tenth Session of the Joint Commercial Commission. The Commission agreed that such preparatory work, in addition to its mandated functions, should be part of the Working Group's regular work in the future.

The date and place of the Eighth meeting of the Working Group of Experts will be determined by the Commission Co-chairmen.

EXPANSION OF TRADE AND ECONOMIC RELATIONS, INCLUDING MARKET ACCESS AND NEW FORMS OF ECONOMIC COOPERATION

The two sides noted that the steps agreed upon at the Eighth and Ninth Sessions of the Joint Commercial Commission had improved conditions for the development of bilateral trade and encouraged the firms, enterprises, and organizations of the two countries to consider each other as potential business partners. They agreed to take further measures, as possible at the current stage of development in bilateral relations, to support the further expansion of peaceful, mutually beneficial, bilateral trade and commercial cooperation.

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The Commission discussed questions relating to the restructuring of the management of the foreign economic relations system of the U.S.S.R., concentrating its attention on the way this restructuring could affect the commercial activity of U.S. companies in the Soviet Union and Soviet organizations in the United States. The Soviet side presented information on the functions of Soviet ministries, institutions, and enterprises involved in foreign economic activity. It stated that the improvement of economic mechanisms in the U.S.S.R. opens up additional opportunities for the development of mutually beneficial commerce. The U.S. side took this information into consideration with interest.

The Soviet side stated it believed that there was a lack of progress in improving conditions for the export of many Soviet goods to the United States. It referred to the continuing embargo on U.S. imports of seven types of furskins, the embargo on gold coin imports, what it considers prohibitive antidumping duties on imports of Soviet urea into the United States, and concern about proposals in Congress which would worsen conditions for imports of Soviet commodities into the United States. The Soviet side also drew attention to what it considers as unjustified, from an economic and security point of view, U.S. restrictions on exports of satellites to the U.S.S.R. for launching on Soviet rocket vehicles, as well as to the Soviet desire for the expedient resolution of problems of access to crossstrade by the Soviet maritime vessels.

The U.S. side noted the Soviet concerns and expressed willingness to continue looking for solutions where possible. The U.S. delegation reviewed the status of pending U.S. trade legislation, noting strong Administration efforts to repeal the embargo on furskins and ensure a non-protectionist trade bill. The U.S. side stated that its antidumping procedures are applied in a transparent and non-discriminatory manner. It also reiterated that U.S. national security policy barred the use of Soviet launching services for Western made satellites.

The Commission noted the larger number of Soviet organizations involved in foreign trade, changed organizational responsibilities, and new opportunities created by the Soviet economic restructuring. The two sides agreed that steps helping potential business partners to be identified and brought together quickly could give a significant boost to trade expansion efforts. The Soviet side agreed to provide and periodically update lists of Soviet organizations and officials with trade authority.

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The Soviet side stated that it will ensure timely availability of information on bureaus and officials in the various organizations responsible for trade and technical evaluation needed for identifying and contacting potential business partners. The Soviet side agreed with the U.S. side's proposal to have its Commercial Office publish and together with the U.S.S.R. Chamber of Commerce and Industry distribute to the corresponding Soviet organizations and officials a U.S. Commercial Newsletter.

The two sides concurred that further diversification in the structure of trade, including increased trade and commercial cooperation in manufactures consistent with the laws and policies of each country, is desirable.

To aid the expansion of mutually beneficial commerce, the Commission decided to create sectoral working groups in civilian industry sectors where both sides agree that the potential for trade and economic cooperation is high. These working groups would help identify commercial opportunities, facilitate contacts between potential business partners, and eliminate obstacles to the conclusion of mutually beneficial business where that is possible.

It was agreed that Working Groups in the following sectors would be created and meet before the end of the year:

- o Oil and gas equipment
- o Construction equipment
- o Medical equipment and supplies for the medical industry
- o Consumer industry (e.g., for the manufacture of textiles, knitware and apparel, leather and fur goods, and footwear).

The two sides noted that during Secretary Verity's meetings with Soviet officials, it also was decided that a working group on food-processing will be created within the framework of the Joint American-Soviet Commission on Agriculture. The Soviet side of the working group will be chaired by a deputy chairman of Gosagroprom of the U.S.S.R. and also will include representatives of the Ministry of Foreign Economic Relations of the U.S.S.R.

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Believing that tourism and tourism services represent significant potential for expanding mutually beneficial business, the U.S. side encouraged the establishment of a tourism working group for the purpose of facilitating resolution of tourism-related commercial issues, identifying new possibilities for cooperation between U.S. travel suppliers and Soviet organizations in the area of tourism, and possibilities for cooperation, including joint ventures, in the hotel industry.

The Soviet side stated that the existing organizational forms in tourism correspond to the present character of tourist ties and provide possibilities for their development and improvement. Given the American side's interest in this matter, however, the Soviet side agreed to continue to examine the question of creating a tourism working group.

The Commission discussed the course of negotiations between U.S. firms and Soviet organizations on a number of commercial projects, and drew attention to the need to speed up the process of negotiation and conclusion of contracts. The Commission noted that the two leaders at the Washington Summit had agreed that commercially viable joint ventures complying with the laws and regulations of both countries could play a role in the further development of commercial relations. It drew attention to the fact that the first such joint ventures between American firms and Soviet organizations have been concluded.

The two sides agreed that commercially viable joint ventures and other forms of business organization be encompassed by the terms and conditions of the Long-Term Agreement Between the United States of America and the Union of Soviet Socialist Republics to Facilitate Economic, Industrial and Technical Cooperation of June 29, 1974. They agreed to sign a Protocol amending the Long Term Agreement to this effect. They also agreed that the scope of the Joint Commercial Commission will encompass new forms of economic cooperation now possible.

The Soviet side proposed that the two sides work out a joint document on the principles and guidelines of bilateral relations in the trade and economic field. The U.S. side said it would examine this proposal closely.

The parties agreed that companies and enterprises should be encouraged to utilize those forms of business organization which best suit the economic interests of the specific organizations as seen by the individuals actually endeavoring to conduct business.

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The Commission noted the important role played by the U.S.-U.S.S.R. Trade and Economic Council in the development of bilateral commerce. Both sides expressed their intention to continue to work closely with this organization and support its efforts to develop business relations between American companies and Soviet organizations.

In the course of discussion of the problems of market access, the Soviet side stated its intention to seek to join the GATT as a Contracting Party on agreed conditions proceeding from economic considerations and taking into account the reforms in the management of the U.S.S.R.'s foreign economic relations.

The U.S. side stated that it remains opposed to membership of the U.S.S.R. in the GATT, and continues to believe that the Soviet economic system remains at this point incompatible with participation in this free-market international economic institution.

TRADE PROMOTION AND BUSINESS FACILITATION

Both sides stated they attach considerable significance to the work of firms and organizations participating in bilateral commerce, and discussed the practical problems these organizations encounter.

Both sides agreed to conduct a series of joint legal seminars to study the legal conditions affecting bilateral commercial cooperation, including legal questions related to investment. The first such seminar is envisioned to be conducted in the U.S.S.R. in September 1988.

Noting the importance of good business facilities for the expansion of bilateral trade and cooperation, the Commission discussed possibilities for improving operating conditions for the firms of each side, including small and medium-sized firms. Both sides agreed to resume periodic consultations concerning these matters.

The Soviet side presented information on measures it has taken lately to simplify the procedures for issuing entry visas into the U.S.S.R., including multiple visas, for the representatives of business, to simplify procedures for traveling in the territory of the U.S.S.R. for functionaries of foreign missions, the U.S. included, and to open up for visits to previously closed areas. The Soviet side stated that during 1987-88 three American companies had asked for their respective quotas of representatives in Moscow to be increased, and these requests were granted.

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The Soviet side expressed hope that the U.S. side would undertake adequate measures with respect to Soviet trade representatives in the United States. In this connection, they stated they had lately had difficulties in the work of Amtorg Trading Corporation and raised the question of increasing the quota of Soviet commercial representatives in the United States by one person in order to send to New York a representative of Vnesheconombank of the U.S.S.R. with the aim of developing cooperation with American banks.

The Commission reviewed plans of each side to expand its program of trade promotion events. The Soviet side presented information about its Exhibition of Soviet Export Goods which will be held in New York City in December, 1988. The U.S. side agreed to provide appropriate support in facilitating the organization of this exhibition.

The U.S. side's intention to expand its trade promotion program in the U.S.S.R. through a program of specialized trade missions, in addition to expositions at Soviet international trade fairs, was welcomed by the Soviet side. The two sides also agreed to cooperate on a program of seminars at the U.S. Commercial Office.

The U.S. side noted that the U.S. Department of Commerce maintains a well-equipped commercial library of information on U.S. companies, products, and services in its Commercial Office located at Ul. Chaykovskogo 15 in Moscow. The U.S. side said that it welcomes visits from Soviet trade and technical personnel interested in commercial contacts with U.S. companies.

The Soviet side welcomed this invitation and stated that with reference to the request of the U.S. side a decision has been taken recently to simplify the procedure for visits to the U.S. Commercial Office in Moscow by representatives of Soviet organizations.

CONCLUDING REMARKS

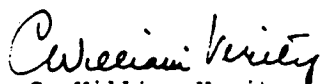
Summing up the results of the present session of the Commission, the parties observed that the expansion of mutually beneficial trade and economic cooperation on a stable basis could contribute to the development of more constructive overall relations between the two countries. They also noted that the expansion of trade was affected in turn by developments in the broader relationship.

Both sides agreed to issue the Joint Statement attached to this Agreed Report summarizing the accomplishments of the Commission and encouraging firms and enterprises to seek an expansion of mutually beneficial commerce. The Heads of the two delegations stated they would inform the business circles of their countries about the results of the Commission and the measures to expand commerce.

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The Commission decided to hold its eleventh session in Washington in 1989. The timing and agenda will be agreed upon by the Chairmen of the U.S. and U.S.S.R. sections of the Commission in accordance with the Terms of Reference and Rules of Procedures.

Done at Moscow, April 14, 1988, in two copies, each in the English and Russian languages, both texts being equally authentic.



C. William Verity
Head of the U.S.
Delegation to the
Tenth Session of the
Joint U.S.-U.S.S.R.
Commercial Commission



Alexander I. Kachanov
Head of the U.S.S.R.
Delegation to the
Tenth Session of the
Joint U.S.-U.S.S.R.
Commercial Commission

PROTOCOL

to the Long-Term Agreement between the United States of America and the Union of Soviet Socialist Republics To Facilitate Economic, Industrial and Technical Cooperation of June 29, 1974

The Government of the United States of America and the Government of the Union of Soviet Socialist Republics, taking note of the new forms of cooperation which have become possible since the Long-Term Agreement between the United States of America and the Union of Soviet Socialist Republics To Facilitate Economic, Industrial and Technical Cooperation was concluded on June 29, 1974, and guided by the Joint Summit Statement issued at the conclusion of the Washington summit meeting on December 10, 1987, have agreed that:

- (1) In addition to the forms of cooperation specified in Article II of the Agreement, cooperation covered by the terms of the Long-Term Agreement shall include commercially viable joint ventures and industrial cooperation based on mutually beneficial contracts between firms, enterprises, and other appropriate organizations of the two countries in keeping with established practices and applicable laws and regulations in the respective countries.
- (2) The Joint US-USSR Commercial Commission will monitor the practical implementation of this Protocol and the Long-Term Agreement and develop concrete proposals to achieve the cooperation foreseen therein. The Working Group of Experts will exchange information that will assist the Commission in developing solutions to specific practical issues relating to the implementation of this Protocol and the Long-Term Agreement and will conduct preparatory work for meetings of the Commission.

This Protocol is an integral part of the Long-Term Agreement and enters into force on the date of its signature.

Done at Moscow on April 14, 1988, in duplicate, in the English and Russian languages, both texts being equally authentic.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

C. William Verity
C. William Verity
Secretary of Commerce

FOR THE GOVERNMENT OF THE
UNION OF SOVIET
SOCIALIST REPUBLICS:

Alexander I. Kachanov
Alexander I. Kachanov
First Deputy Minister
of Foreign Economic
Relations